

Outgoing
MOZ/0008



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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

August 17, 2010

CERTIFIED RETURN RECEIPT
7005 0390 0000 7507 4542

Donald Foot
Palladon Development Corporation
1075 North 500 East
Salt Lake City, Utah 84111

Dale Gilbert
CML Metals Corporation
6249 West Gilbert Industrial Court
Hurricane, Utah 84737

Subject: Notice of Cancellation/Termination of Reclamation Surety, Bond Number 1
Palladon Iron Corporation, Iron Mountain, M/021/0008, Iron County, Utah

Dear Messrs. Foot and Gilbert:

The Division of Oil, Gas and Mining (Division) has been notified that the surety bond for the Iron Mountain mine M/021/0008 will be cancelled effective September 22, 2010. The terms of the surety state that the bond may be cancelled by the Surety ninety (90) days following receipt by the Division and Principal of such cancellation. The Division received the surety cancellation notice August 16, 2010, so the earliest date the surety may be cancelled is November 14, 2010.

Paragraph 5 of the Reclamation Contract, states the operator shall provide a replacement surety within sixty (60) days following the Division's receipt of the cancellation notice. If you fail to provide a replacement surety by October 15, 2010, the Division will be forced to do any/some of the following:

- Carry out the terms of surety bond number _____
- Submit a request to the Board of Oil, Gas and Mining to withdraw the permit
- Order the cessation of mining operations
- Order immediate reclamation of all lands affected

On a separate but related issue, the Division needs to receive a permit transfer application. On April 26, 2010, the Division received notification that Palladon Iron Corporation had recently undergone a name change to CML Metals Corporation. On that



Donal Foot and Dale Gilbert
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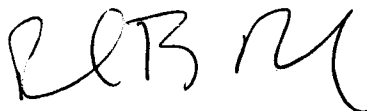
same day, the Division received a rider to the reclamation surety changing the name from Palladon Iron Corporation to CML Metals Corporation.

The Division does not consider this to be simply a name change. Palladon Iron Corporation was never registered to do business in Utah, and the registration for Palladon Development Corporation has expired. The officers of Palladon Development Corporation are different from those of CML Metals Corporation.

Please submit the transfer application and a new reclamation contract no later than September 1, 2010. The reclamation contract form can be found on the Division's web site at https://fs.ogm.utah.gov/pub/mines/minerals_related/forms/MR-RC-LMO.pdf. The transfer application needs to include replacement pages for the mine plan showing the new operator name and updated address and other contact information. Failure to submit the documents by this date could result in issuance of a cessation order including a requirement that all mining operations cease, a situation that we desire to avoid.

If you have questions or require assistance regarding the surety, please contact Penny Berry (801) 538-5291 or by email at bondcoordinator@utah.gov. Thank you in advance for your cooperation and prompt attention to these important permitting requirements.

Sincerely,



Paul B. Baker
Minerals Program Manager

PBB:pb

Cc: Travelers Casualty and Insurance Company
Ed_ginouves@blm.gov
Opie_abeyta@blm.gov

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